

Kareeberg

MUNICIPALITY

[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2015

KAREEBERG LOCAL MUNICIPALITY

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KAREEBERG LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GENERAL INFORMATION

NATURE OF BUSINESS

Kareeberg Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Kareeberg Municipality includes the following geographical areas:

Carnarvon
Vosburg
Vanwyksvlei

MAYOR

Mr N.I. Titus

MUNICIPAL MANAGER

Mr W. de Bruin

CHIEF FINANCIAL OFFICER

Mr. P.B. Rossouw

REGISTERED OFFICE

Hanau Street,
CARNARVON,
9825

AUDITORS

Office of the Auditor General (NC)
Oliver Road,
Kimberley, 8301

PRINCIPLE BANKERS

ABSA, Victoria Street, Carnarvon

ATTORNEYS

G.B. Kempen & De Wet Nel, Victoria Street, Carnarvon

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
SALBC Leave Regulations

KAREEBERG LOCAL MUNICIPALITY

MEMBERS OF THE KAREEBERG LOCAL MUNICIPALITY

WARD	COUNCILLOR
1	Mr J.E.J. Hoorn
2	Mr D.P. Jason
3	Ms D. Olifant
4	Mr N.I. Titus
Proportional	Ms E.L. Riley
Proportional	Mr J. Horne
Proportional	Mr P. Viviers

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2015 , which are set out on pages 1 to 76 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2015 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporative Governance determination in accordance with this Act.



Mr W. de Bruin
Municipal Manager

31 August 2015

Date

KAREEBERG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015
REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of Kareeberg Local Municipality for the financial year 2014/2015

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and senior management to manage their budgets and ensure the effective application of financial resources in rendering services to the community.

Kareeberg Municipality is now compliant with the requirements of GRAP. It has been a long, difficult and very expensive process, the worth of which is at best minimal. In times when municipalities are battling to balance their budgets and when there is little or no local economic growth, to be able to know what the depreciated replacement cost of a pipe buried three metres under the ground beggars belief. It was once said that municipal financials were opaque and there was truth in that statement, but in making them less opaque and embracing transparency, we have assumed that people will understand them better and, even more so, that they actually care about what they are reading. People, just like banks and credit agencies, want to know what the budget is, what the debtors are like and have you got cash to pay your creditors. Nothing we have done in the last seven years, in order to reach GRAP compliance, changes that.

2. KEY FINANCIAL INDICATORS

The economic down turn and the Eskom issues continue to play havoc with good financial management. The Kareeberg economy has been battered of late and all indications are that it will get worse before it gets better.

This is not because of bad or incompetent management, but because it is the nature of the business and the economy. I would therefore hope that National and Provincial departments take heed of this fact before making any incorrect or ill-conceived statements or judgements.

Financial Statement Ratios:

INDICATOR	30 JUNE 2015	30 JUNE 2014
Surplus / (Deficit) for the year before Appropriations	7 790 659	2 888 187
Accumulated Surplus / (Deficit) at the end of the Year	120 109 827	112 320 884
Expenditure Categories as a percentage of Total Expenses:		
Employee related costs	32,94%	32,20%
Remuneration of Councillors	4,09%	4,06%
Debt Impairment	0,00%	3,07%
Depreciation and Amortisation	6,17%	5,77%
Capitalised Restoration Cost Impairment	0,00%	0,00%
Repairs and Maintenance	1,78%	3,52%
Actuarial losses	0,19%	0,04%
Finance Charges	1,77%	1,66%
Bulk Purchases	16,46%	14,85%
Contracted services	3,26%	1,37%
Grants and Subsidies	16,25%	15,19%
Stock Adjustments	0,84%	1,90%
Loss on disposal of Property, Plant and Equipment	0,08%	0,03%
General Expenses	16,16%	16,34%
Current Ratio:		
Creditors Days	17	15
Debtors Days	89	90

One indicator needing comment is that of repairs and maintenance. In recent years there has been much comments as to how low this ratio is. It should be noted that the ratio decrease.

3. OPERATING RESULTS

The overall operating results for the year ended 30 June 2015 are as follows:

DETAILS	Actual 2014/2015 R	Actual 2013/2014 R	Percentage Variance %	Budgeted 2014/2015 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	112 320 884	110 763 951	1,41%	-	-
Operating income for the year (incl. gains in disposal of assets)	57 127 015	50 060 969	14,11%	71 827 000	-20,47%
Appropriations for the year	(1 716)	(1 331 254)	-99,87%	-	-
	169 446 183	159 493 666	6,24%	71 827 000	
Expenditure:					
Operating expenditure for the year	49 336 356	47 172 782	4,59%	53 779 001	-8,26%
Closing surplus / (deficit)	120 109 827	112 320 884	6,93%	-	-
	169 446 183	159 493 666	6,24%	53 779 001	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R 10 041 738 (2013/2014: R 7 654 933), and in percentage terms amounts to 51% of capital budget. Full details of Property, Plant and Equipment are disclosed in note number 10 to the Annual Financial Statements.

The capital expenditure of R 10 041 738 (2014/2015) was financed as follows:

DETAILS	Actual 2014/2015 R	Budgeted 2014/2015 R	Percentage Variance %	Source of funding as % of total Cap exp
Donations	-	-	100,00%	0,00%
Grants and Subsidies	10 026 175	19 848 000	-49,49%	99,85%
Own Recourses	15 563	-	100,00%	0,15%
	10 041 738	19 848 000		100,00%

5. NON-CURRENT PROVISIONS AND NON-CURRENT EMPLOYEE BENEFITS

Non-current Provisions and Employee Benefits at 30 June are made up as follows:

	10 722 558	11 169 348
Provision for Post Retirement Benefits	7 511 000	7 530 954
Provision for Long Service Awards	907 000	874 910
Provision for Rehabilitation of Landfill-sites	2 304 558	2 763 484
	10 722 558	11 169 348

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Notes number 3 and 4 for more detail.

6. CURRENT LIABILITIES

Current Liabilities are made up as follows:

Consumer Deposits	Note number 5	308 159	292 769
Current Employee benefits	Note number 6	1 919 560	1 659 145
Payables from exchange transactions	Note number 7	928 922	731 677
Unspent Conditional Government Grants and Receivables	Note number 8	1 904 727	2 420 906
Taxes	Note number 9	-	-
		5 061 369	5 104 496

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations, as all these liabilities are cashbacked.

Refer to the indicated Note numbers for more detail.

7. INTANGIBLE ASSETS

The net value of Intangible Assets is:

18 371	25 188
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These are assets which cannot physically be identified and verified and are all in respect of computer software.

Refer to Note number 12 for more detail.

8. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment is:

106 050 426	104 386 877
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Refer to Note number 10 for more detail.

9. INVESTMENT PROPERTIES

The net value of Investment Properties is:

15 482 392	10 214 722
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Refer to Note number 11 for more detail.

10. CAPITALISED RESTORATION COST

The net value of Capitalised Restoration Cost is:

788 745	718 892
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Refer to Note number 14 for more detail.

11. LONG-TERM RECEIVABLES

Long-term Receivables: Staff was entitled to housing loans which attract interest at 4% per annum and which are repayable over a maximum period of 20 years. When a employee resigns, the outstanding amount must be settled. These loans are secured since the Council is the bond holder.

39 306	45 039
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Refer to Note number 15 for more detail.

12. CURRENT ASSETS

Current Assets are made up as follows:

Trade Receivables from exchange transactions	Note number 16	2 452 056	1 972 072
Other Receivables from non-exchange transactions	Note number 17	8 797	-
Operating Lease Asset	Note number 18	35 132	29 515
Current Portion of Long-term Receivables	Note number 15	8 727	9 796
Cash and Cash Equivalents	Note number 19	22 376 445	22 612 006
		<u>24 881 158</u>	<u>24 623 389</u>

Refer to the indicated Note numbers for more detail.

13. INTER-GOVERNMENTAL GRANTS

The municipality plays a major role in the upliftment of the poor and in sustaining and improving infrastructure for all its citizens for which it uses grants received from government and other organisations, and thus it has a big responsibility as custodian of these funds.

Refer to Notes numbers 8 and 21 as well as Appendix C for more detail.


14. EVENTS AFTER THE REPORTING DATE

Full details of all known events after the reporting date are disclosed in Note number 42

15. EXPRESSION OF APPRECIATION

I am grateful to the Municipal Manager and Head of Departments for the support they extended during the financial year.

The work involved in producing these financial statements just gets more detailed each year and therefore my heartfelt thanks goes to my own staff at all levels and in all departments, for their hard work and dedication.



Mr. P.B. Rossouw
CHIEF FINANCIAL OFFICER
31 August 2015

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Notes	2015 (Actual) R	2014 (Restated) R
NET ASSETS AND LIABILITIES			
Net Assets		131 495 649	123 759 440
Capital Replacement Reserve	2	11 347 812	11 347 812
Housing Development fund	2	38 010	36 294
Revaluation Reserve	2	-	54 450
Accumulated Surplus		120 109 827	112 320 884
Non-Current Liabilities		10 722 558	11 169 348
Employee benefits	3	8 418 000	8 405 864
Non-Current Provisions	4	2 304 558	2 763 484
Current Liabilities		5 061 369	5 104 496
Consumer Deposits	5	308 159	292 769
Current Employee benefits	6	1 919 560	1 659 145
Payables from exchange transactions	7	928 922	731 677
Unspent Conditional Government Grants and Receipts	8	1 904 727	2 420 906
Total Net Assets and Liabilities		147 279 576	140 033 284
ASSETS			
Non-Current Assets		122 398 418	115 409 895
Property, Plant and Equipment	10	106 050 426	104 386 877
Investment Property	11	15 482 392	10 214 722
Intangible Assets	12	18 371	25 188
Heritage Assets	13	19 176	19 176
Capitalised Restoration Cost	14	788 745	718 892
Long-Term Receivables	15	39 306	45 039
Current Assets		24 881 158	24 623 389
Trade Receivables from exchange transactions	16	2 452 056	1 972 072
Other Receivables from non-exchange transactions	17	8 797	-
Operating Lease Asset	18	35 132	29 515
Current Portion of Long-term Receivables	15	8 727	9 796
Cash and Cash Equivalents	19	22 376 445	22 612 006
Total Assets		147 279 576	140 033 284

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 (Actual) R	2014 (Actual) R	Correction of Error - Note 33,06 R	2014 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		34 457 427	29 657 705	-	29 657 705
Taxation Revenue		4 197 712	4 237 388	-	4 237 388
Property taxes	20	4 197 712	4 237 388	-	4 237 388
Transfer Revenue		29 578 021	25 263 313	-	25 263 313
Government Grants and Subsidies - Capital	21	10 026 175	7 357 500	-	7 357 500
Government Grants and Subsidies - Operating	21	19 551 846	17 905 813	-	17 905 813
Other Revenue		681 694	157 003	-	157 003
Actuarial Gains		665 727	138 679	-	138 679
Licences and Permits		6 072	8 970	-	8 970
Unamortised discount - Interest		2 995	3 444	-	3 444
Fines		6 900	5 910	-	5 910
Revenue from Exchange Transactions		22 669 588	20 403 264	(1 031)	20 404 294
Property Rates - Penalties & Collection Charges		220 605	186 851	-	186 851
Service Charges	22	17 949 794	16 998 357	-	16 998 357
Rental of Facilities and Equipment		395 462	513 160	-	513 160
Interest Earned - external investments		1 592 813	1 335 243	-	1 335 243
Interest Earned - outstanding debtors		2 572	2 955	-	2 955
Agency Services		147 351	136 904	-	136 904
Other Revenue	23	2 360 990	1 229 793	(1 031)	1 230 824
Total Revenue		57 127 015	50 060 969	(1 031)	50 061 999
EXPENDITURE					
Employee related costs	25	16 252 966	15 189 050	1 952 266	13 236 783
Remuneration of Councillors	26	2 020 110	1 912 960	-	1 912 960
Debt Impairment	27	-	1 449 360	-	1 449 360
Depreciation and Amortisation		3 043 774	2 721 382	(12 660)	2 734 043
Repairs and Maintenance		880 124	1 661 587	1 166 974	494 612
Actuarial losses	3	93 808	18 527	-	18 527
Finance Charges	28	873 128	782 872	(28 853)	811 725
Bulk Purchases	29	8 119 144	7 007 325	-	7 007 325
Contracted services		1 607 291	646 231	426 063	220 169
Grants and Subsidies	30	8 018 446	7 167 729	(368 456)	7 536 185
Stock Adjustments	29	413 583	897 249	-	897 249
Operating Grant Expenditure	31	-	-	(4 637 813)	4 637 813
Loss on disposal of Property, Plant and Equipment		41 936	11 885	-	11 885
General Expenses	32	7 972 046	7 706 624	1 460 965	6 245 659
Total Expenditure		49 336 356	47 172 782	(41 514)	47 214 296
NET SURPLUS FOR THE YEAR		7 790 659	2 888 187	40 483	2 847 704

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	Revaluations Reserve	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R
Balance at 1 July 2013					
Net Surplus/(Deficit) for the year	54 450	35 726	11 347 812	110 763 951	122 201 939
Correction of error - See Note 33,06	-	-	-	2 847 704	2 847 704
Transfer to Housing Development Fund	-	-	-	40 483	40 483
	-	568	-	(568)	-
Balance at 30 June 2014	54 450	36 294	11 347 812	113 651 570	125 090 126
Correction of error - See Note 33,05	-	-	-	(1 330 686)	(1 330 686)
Restated Balance at 1 July 2014	54 450	36 294	11 347 812	112 320 884	123 759 440
Net Surplus/(Deficit) for the year	-	-	-	7 790 659	7 790 659
Revaluation of PPE and CRC (Capitalised Restoration Cost)	(54 450)	-	-	-	(54 450)
Transfer to/from Housing Development Fund	-	1 716	-	(1 716)	-
Balance at 30 June 2015	-	38 010	11 347 812	120 109 827	131 495 649

KAREEBERG LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 R	2014 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		24 280 584	21 720 272
Government - operating/capital		30 618 590	26 838 047
Interest		1 557 202	1 302 148
Payments			
Suppliers and employees		(37 781 473)	(34 884 686)
Finance charges	28	(873 128)	(782 872)
Transfers and Grants	30	(8 018 446)	(7 167 729)
Net Cash from Operating Activities		9 783 329	7 025 179
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(10 088 338)	(7 654 933)
Proceeds on Disposal of Fixed Assets		44 264	26 435
Purchase of Intangible Assets		-	(6 228)
Net Cash from Investing Activities		(10 044 074)	(7 634 727)
CASH FLOW FROM FINANCING ACTIVITIES			
(Increase)/Decrease in Long-term Receivables		9 796	9 413
Increase/(Decrease) in Consumer Deposits		15 390	8 650
Rounding		(1)	(2)
Net Cash from Financing Activities		25 185	18 062
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(235 560)	(591 486)
Cash and Cash Equivalents at the beginning of the year		22 612 006	23 203 491
Cash and Cash Equivalents at the end of the year	35	22 376 445	22 612 006
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(235 560)	(591 486)

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	250 869	1 538 120	(1 287 251)	Cash management apply
Call investment deposits	22 125 577	21 330 771	794 806	Higher contribution to cash back provisions
Consumer debtors	1 425 898	6 000 119	(4 574 221)	Higher payment level - receivables written off
Other Receivables	1 070 087	10 634	1 059 453	Increase in general sundry debtors
Current portion of long-term receivables	8 727	9 045	(318)	
Inventory	-	-	-	
Total current assets	24 881 158	28 888 689	(4 007 531)	
Non current assets				
Long-term receivables	39 306	29 874	9 432	
Investments	-	-	-	
Investment property	15 482 392	10 227 346	5 255 046	PPE changes to investment property (Farm rental)
Property, plant and equipment	106 839 171	115 507 948	(8 668 777)	PPE transfer to investment property - RBIG funding received
Biological Assets	-	-	-	
Intangible Assets	18 371	27 339	(8 968)	Higher amortisation
Heritage Assets	19 176	-	19 176	
Total non current assets	122 398 418	125 792 507	(3 394 090)	
TOTAL ASSETS	147 279 576	154 681 196	(7 401 621)	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	-	-	-	
Consumer deposits	308 159	360 388	(52 229)	More pay-outs due to consumers that left
Trade and other payables	2 833 650	4 604 751	(1 771 102)	Decrease in unspent grants
Provisions and Employee Benefits	1 919 550	1 619 601	299 959	Higher contributions in 2015 than 2014 Actuarial report
Total current liabilities	5 061 359	6 584 740	(1 523 371)	
Non current liabilities				
Borrowing	-	-	-	
Provisions and Employee Benefits	10 722 557	13 498 884	(2 776 327)	Higher contributions in 2015 than 2014 Actuarial report
Total non current liabilities	10 722 557	13 498 884	(2 776 327)	
TOTAL LIABILITIES	15 783 927	20 083 624	(4 299 698)	
NET ASSETS	131 495 649	134 597 572	(3 101 925)	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	120 109 827	123 074 310	(2 964 483)	All above mentioned reasons
Reserves	11 385 822	11 523 262	(137 440)	
TOTAL COMMUNITY WEALTH/EQUITY	131 495 649	134 597 572	(3 101 924)	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

ADJUSTMENTS TO APPROVED BUDGET

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	1 538 120	-	1 538 120	
Call investment deposits	21 330 771	-	21 330 771	
Consumer debtors	6 000 119	-	6 000 119	
Other Receivables	10 634	-	10 634	
Current portion of long-term receivables	9 045	-	9 045	
Inventory	-	-	-	
Total current assets	28 888 689	-	28 888 689	
Non current assets				
Long-term receivables	29 874	-	29 874	
Investments	-	-	-	
Investment property	10 227 346	-	10 227 346	
Property, plant and equipment	115 507 948	-	115 507 948	
Biological Assets	-	-	-	
Intangible Assets	27 339	-	27 339	
Heritage Assets	-	-	-	
Total non current assets	125 792 507	-	125 792 507	
TOTAL ASSETS	154 681 195	-	154 681 195	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	-	-	-	
Consumer deposits	360 388	-	360 388	
Trade and other payables	4 604 751	-	4 604 751	
Provisions and Employee Benefits	1 619 601	-	1 619 601	
Total current liabilities	6 584 740	-	6 584 740	
Non current liabilities				
Borrowing	-	-	-	
Provisions and Employee Benefits	13 498 884	-	13 498 884	
Total non current liabilities	13 498 884	-	13 498 884	
TOTAL LIABILITIES	20 083 624	-	20 083 624	
NET ASSETS	134 597 572	-	134 597 572	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	123 074 310	-	123 074 310	
Reserves	11 523 262	-	11 523 262	
TOTAL COMMUNITY WEALTH/EQUITY	134 597 572	-	134 597 572	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Property rates	4 197 712	4 141 323	56 389	Higher interim valuation roll
Property rates - penalties & collection charges	220 605	190 000	30 605	Lower payments, higher interest
Service charges	17 949 794	18 018 052	(68 258)	Less consumption
Rental of facilities and equipment	395 462	483 118	(87 656)	Lower tenders awarded
Interest earned - external investments	1 592 813	1 297 000	295 813	Higher interest rates
Interest earned - outstanding debtors	2 572	3 300	(728)	
Dividends received	-	-	-	
Fines	6 900	12 230	(5 330)	
Licences and permits	6 072	7 420	(1 348)	
Agency services	147 351	97 000	50 351	Increase in fees
Government Grants and Subsidies - Operating	19 551 846	20 489 000	(937 154)	Not all grants realised
Other revenue	3 029 713	7 240 557	(4 210 844)	Not all grants realised and adjustments
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	47 100 840	51 979 000	(4 878 160)	
EXPENDITURE BY TYPE				
Employee related costs	16 252 966	15 378 405	874 561	Adjustments for grant expenditure
Remuneration of councillors	2 020 110	2 018 982	1 128	
Debt impairment	-	2 339 502	(2 339 502)	Not necessary for provision and debtors written off
Depreciation & asset impairment	3 043 774	3 671 152	(627 378)	WIP, not yet capitalised
Finance charges	873 128	531 013	342 115	Higher actuarial costs
Bulk purchases	8 532 727	8 543 845	(11 118)	
Other materials	880 124	431 200	448 924	Adjustments grant expenditure
Contracted services	1 607 291	541 400	1 065 891	Adjustments grant expenditure
Grants and subsidies paid	8 018 446	8 302 311	(283 865)	Less subsidy paid out
Other expenditure	8 065 854	12 019 191	(3 953 337)	Adjustments grant expenditure
Loss on disposal of PPE	41 936	2 000	39 936	Adjustment
Total Operating Expenditure	49 336 356	53 779 001	(4 442 645)	
Operating Deficit for the year	(2 235 516)	(1 800 001)	(435 515)	
Government Grants and Subsidies - Capital	10 026 175	19 848 000	(9 821 825)	RBIG project partially funded
Net Surplus for the year	7 790 659	18 047 999	(10 257 340)	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

ADJUSTMENTS TO APPROVED BUDGET

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Reasons for material adjustments
REVENUE BY SOURCE				
Property rates	4 141 323	-	4 141 323	
Property rates - penalties & collection charges	190 000	-	190 000	
Service charges	18 016 052	-	18 016 052	
Rental of facilities and equipment	483 118	-	483 118	
Interest earned - external investments	1 297 000	-	1 297 000	
Interest earned - outstanding debtors	3 300	-	3 300	
Dividends received	-	-	-	
Fines	12 230	-	12 230	
Licences and permits	7 420	-	7 420	
Agency services	97 000	-	97 000	
Government Grants and Subsidies - Operating	20 489 000	-	20 489 000	
Other revenue	7 240 557	-	7 240 557	
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	51 979 000	-	51 979 000	
EXPENDITURE BY TYPE				
Employee related costs	15 378 405	-	15 378 405	
Remuneration of councillors	2 018 982	-	2 018 982	
Debt impairment	2 339 502	-	2 339 502	
Depreciation & asset impairment	3 671 152	-	3 671 152	
Finance charges	531 013	-	531 013	
Bulk purchases	8 543 845	-	8 543 845	
Other materials	431 200	-	431 200	
Contracted services	541 400	-	541 400	
Grants and subsidies paid	8 302 311	-	8 302 311	
Other expenditure	12 019 191	-	12 019 191	
Loss on disposal of PPE	2 000	-	2 000	
Total Operating Expenditure	53 779 001	-	53 779 001	
Operating Surplus/(Deficit) for the year	(1 800 001)	-	(1 800 001)	
Government Grants and Subsidies - Capital	19 848 000	-	19 848 000	
Net Surplus/(Deficit) for the year	18 047 999	-	18 047 999	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET				
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	24 280 584	27 850 199	(3 569 615)	Adjustments grants
Government - operating/capital	30 618 590	40 337 000	(9 718 410)	Adjustments grants and RBIG
Interest	1 557 202	1 170 600	386 602	Higher interest rates
Dividends	-	-	-	
Payments	(37 781 473)	(38 935 023)	1 153 550	Adjustments grants
Suppliers and Employees	(873 128)	(531 013)	(342 115)	Higher Actuarial cost
Finance charges	(8 018 446)	(8 302 311)	283 865	Less subsidies paid out
Transfers and Grants				RBIG funding
	9 783 329	21 589 452	(11 806 123)	
NET CASH FROM/(USED) OPERATING ACTIVITIES				
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	44 264	-	44 264	
Decrease/(increase) in non-current receivables	9 796	9 045	751	
Decrease/(increase) in non-current investments	-	-	-	
Payments	(10 088 339)	(19 848 000)	9 759 662	RBIG funding
Capital assets	(10 034 278)	(19 838 955)	9 804 677	
NET CASH FROM/(USED) INVESTING ACTIVITIES				
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	15 390	29 000	(13 610)	
Payments	-	-	-	
Repayment of borrowing	15 390	29 000	(13 610)	
NET CASH FROM/(USED) FINANCING ACTIVITIES				
	(235 550)	1 779 497	(2 015 056)	Higher contribution to provision
NET INCREASE/(DECREASE) IN CASH HELD				
Cash and Cash Equivalents at the beginning of the year	22 612 006	21 089 392	1 522 614	Spending of unspent grants
Cash and Cash Equivalents at the end of the year	22 376 445	22 868 889	(492 444)	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

ADJUSTMENTS TO APPROVED BUDGET

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ralepayers and other	27 850 199	-	27 850 199	
Government - operating	20 489 000	-	20 489 000	
Government - capital	19 848 000	-	19 848 000	
Interest	1 170 600	-	1 170 600	
Dividends	-	-	-	
Payments				
Suppliers and Employees	(38 935 023)	-	(38 935 023)	
Finance charges	(531 013)	-	(531 013)	
Transfers and Grants	(8 302 311)	-	(8 302 311)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	21 589 452	-	21 589 452	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	-	-	-	
Decrease/(increase) in non-current receivables	9 045	-	9 045	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(19 848 000)	-	(19 848 000)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(19 838 955)	-	(19 838 955)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	29 000	-	29 000	
Payments				
Repayment of borrowing	-	-	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	29 000	-	29 000	
NET INCREASE/(DECREASE) IN CASH HELD	1 779 497	-	1 779 497	
Cash and Cash Equivalents at the beginning of the year	21 089 392	-	21 089 392	
Cash and Cash Equivalents at the end of the year	22 868 889	-	22 868 889	

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2014 to 30 June 2015. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Standard	Description	Effective Date
Directive 11	<p>Changes in Measurement Bases following Initial Adoption of Standards of GRAP</p> <p>This Directive can be applied when a Municipality elects to change the measurement bases selected for certain assets on the initial adoption of Standards of GRAP.</p> <p>No significant impact is expected as the Municipality has no intention of changing it's measurement bases.</p>	1 April 2015
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	1 April 2015
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 32 (Original – Aug 2013)	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p>	1 April 2015

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	No significant impact expected as no such transactions or events are expected in the foreseeable future.	
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 108 (Original – Sept 2013)	<p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	Unknown
IGRAP 11	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	1 April 2015
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venture to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	1 April 2015
IGRAP17	Service Concession Arrangements Where a	Unknown

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	<p>Grantor Controls a Significant Residual Interest in an Asset</p> <p>This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	
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These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

1.9.2 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress, as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.9.3 Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.10. LEASES

1.10.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-line revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable where applicable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.12. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

1.13. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.13.1. Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.13.2. Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.13.3. Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days, limited to 48 days, due to employees at year-end and also on the total salary of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.13.4. Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.13.5. Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 56 employees, is recognised as it accrue to Section 56 employees. Municipal entities' performance bonus provisions are based on the performance contract stipulations as well as previous performance bonus payment trends.

1.13.6. Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.13.7. Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent

that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14. PROPERTY, PLANT AND EQUIPMENT

1.14.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Municipal land and building qualify as property, plant and equipment when the property is registered at the Deeds Office in the name of the Municipality or any identifiable unknown registered property.

Biological assets of the Municipality qualify as property plant and equipment as it is for recreation purposes. The Municipality controls the asset as a result of past events. Biological assets are initially measured at their fair value less cost to sell. The fair value of game is determined based on market prices of game. Initial recognition will be adjusted in each year a tender is issued to control the game numbers. A gain or loss arising on initial recognition of biological assets at fair value less cost to sell is recognised in the Statement of Financial Performance for the period in which it arises.

1.14.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.14.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the Statement of Financial Performance, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.14.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	5-101	Buildings	8-52
Refuse	5-101	Specialist vehicles	3-30
Electricity	5-101	Other vehicles	5-30
Water	5-101	Office equipment	2-40
Sewerage	5-101	Furniture and fittings	3-40
Housing	10-50	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and	
Buildings	8-52	Equipment	10-30
Recreational Facilities	10-101	Other plant and	
Security	30	Equipment	1-40
Halls	8-45	Landfill sites	3-50
Libraries	25-45	Quarries	25
Parks and gardens	45	Emergency equipment	5-20

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Other assets	8-34	Computer equipment	3-30
<u>Finance lease assets</u>			
Office equipment	3		
Other assets	5		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.14.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14.6 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.15. INTANGIBLE ASSETS**1.15.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.15.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.15.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	2-8
Computer Software Licenses	5-10

1.15.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sale proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.16. INVESTMENT PROPERTY**1.16.1 Initial Recognition**

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.16.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

1.16.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sale proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.17 HERITAGE ASSETS

1.17.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.17.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.17.3 Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.17.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.17.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.18. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.18.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.18.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
 - Cessation, or near cessation, of the demand or need for services provided by the asset.
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.
- (b) Internal sources of information
 - Evidence is available of physical damage of an asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
 - A decision to halt the construction of the asset before it is complete or in a usable condition.
 - Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss and is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.19. INVENTORIES

1.19.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the volume of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.19.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

1.20. FINANCIAL INSTRUMENTS

Financial instruments recognised in the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.20.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.20.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.20.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.20.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.20.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.20.2.4 Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.20.3 De-recognition of Financial Instruments

1.20.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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- the rights to receive cash flows from the asset have expired; or
 - the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.20.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.20.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.21 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.21.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.21.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.21.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:

- (i) derecognise the receivable; and
- (ii) recognise separately any rights and obligations created or retained in the transfer.

1.22. REVENUE

1.22.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes of spot fines. Revenue from spot fines is recognised when receipted.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.22.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 2 to 3 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is not material and thus not disclosed under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.23. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of management of the Municipality;
- (b) a member of management of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the management who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the accounting officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All managers or council of the Municipality, being the Mayor and members of the Council.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.24. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.28.1 *Post-retirement medical obligations and long service awards*

The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.28.2 *Impairment of Receivables*

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.28.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.28.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

1.28.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.28.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.28.7 Revenue Recognition

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Fine Revenue constitutes of spot fines. Revenue from spot fines is recognised when receipted. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.28.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill sites are recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill sites. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.28.9 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.28.10 Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to Council approval.

1.28.11 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.29. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.30. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.31. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.32. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R	
2	NET ASSET RESERVES			
	RESERVES	11 385 022	11 438 556	
	Capital Replacement Reserve	11 347 812	11 347 812	
	Housing Development fund	38 010	36 294	
	Revaluation Reserve	-	54 450	
	Total Net Asset Reserves	11 385 822	11 438 556	
		2015 R	2014 R	
3	EMPLOYEE BENEFITS			
	Post Retirement Benefits - Refer to Note 3.1	7 511 000	7 530 954	
	Long Service Awards - Refer to Note 3.2	907 000	874 910	
	Total Non-current Employee Benefit Liabilities	8 418 000	8 405 864	
	<u>Post Retirement Benefits</u>			
	Balance 1 July	7 619 334	6 995 874	
	Contribution for the year	998 481	900 290	
	Expenditure for the year	(180 088)	(138 151)	
	Actuarial Loss/(Gain)	(665 727)	(138 679)	
	Total post retirement benefits 30 June	7 772 000	7 619 334	
	Less: Transfer of Current Portion - Note 6	(261 000)	(86 380)	
	Balance 30 June	7 511 000	7 530 954	
	<u>Long Service Awards</u>			
	Balance 1 July	1 005 846	939 828	
	Contribution for the year	135 415	159 636	
	Expenditure for the year	(126 089)	(112 145)	
	Actuarial Loss	93 808	18 527	
	Total long service awards 30 June	1 109 000	1 005 846	
	Less: Transfer of Current Portion - Note 6	(202 000)	(130 936)	
	Balance 30 June	907 000	874 910	
	<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>			
	Balance 1 July	8 625 180	7 935 702	
	Contribution for the year	1 133 896	1 058 926	
	Expenditure for the year	(306 156)	(250 296)	
	Actuarial Loss/(Gain)	(571 919)	(120 152)	
	Total employee benefits 30 June	8 881 000	8 625 180	
	Less: Transfer of Current Portion - Note 6	(463 000)	(219 316)	
	Balance 30 June	8 418 000	8 405 864	
3.1	Post Retirement Benefits	2015 R	2014 R	
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:			
	In-service (employee) members	11	16	
	Continuation members (e.g. Retirees, widows, orphans)	7	3	
	Total Members	18	19	
	The liability in respect of past service has been estimated to be as follows:			
	In-service members	4 570 000	7 016 441	
	Continuation members	3 202 000	602 893	
	Total Liability	7 772 000	7 619 334	
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
		2013 R	2012 R	2011 R
	In-service members	5 749 138	4 635 740	4 037 568
	Continuation members	1 246 736	1 169 299	1 554 489
	Total Liability	6 995 874	5 805 039	5 592 057
	Experience adjustments were calculated as follows:		2015 Rm	2014 Rm
	Liabilities: (Gain) / loss		(0,609)	0,036
	Assets: Gain / (loss)		-	-
	The experience adjustments in respect of periods commencing prior to the comparative year has been estimated as follows:			
		2013 Rm	2012 Rm	2011 Rm
	Liabilities: (Gain) / loss	0,280	(0,591)	0,508
	Assets: Gain / (loss)	-	-	-
	The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:			
	Hosmed			
	LA Health			
	The Municipality's Accrued Unfunded Liability at 30 June 2015 is estimated at R7.772 million. The Current-service Cost for the year ending 30 June 2015 is estimated at R342,612. It is estimated to be R214,000 for the ensuing year.			

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3

EMPLOYEE BENEFITS (CONTINUE)

Key actuarial assumptions used:

i) Rate of Interest

	2015 %	2014 %
Discount rate	8,14%	8,66%
CPI (Consumer Price Inflation)	6,44%	6,41%
Health Care Cost Inflation Rate	7,44%	7,91%
Net Effective Discount Rate	0,65%	0,70%

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve." Our discount rate was therefore set as the yield of the R209 South African government bond as at the valuation date. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. The actual yield on the R209 bond was sourced from the RMB Global Markets website on the 9th of April 2015.

ii) Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

iii) Normal retirement age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

iv) Average retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

iv) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

	2015 R	2014 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	7 772 000	7 619 334
Total Liability	7 772 000	7 619 334
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	7 619 334	6 995 874
Total expenses	818 393	768 422
Current service cost	342 612	298 541
Interest Cost	655 809	601 749
Benefits Paid	(180 088)	(131 868)
Actuarial (gains)/losses	(665 727)	(144 962)
Present value of fund obligation at the end of the year	7 772 000	7 619 334
Less: Transfer of Current Portion - Note 6	(261 000)	(68 380)
Balance 30 June	7 511 000	7 530 954

Sensitivity Analysis on the Accrued Liability

	-20% Mortality	Valuation	+20% Mortality
Total Accrued Liability	8 583 000	7 772 000	7 134 000
Current Service Cost	696 000	631 000	578 000
Interest Cost	238 000	214 000	195 000

	-1% Medical Aid	Valuation	+1% Medical Aid
Total Accrued Liability	8 830 000	7 772 000	8 903 000
Current Service Cost	553 000	631 000	725 000
Interest Cost	182 000	214 000	254 000

3.2

Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 60 employees were eligible for Long Service Bonuses.

The Current-service Cost for the year ending 30 June 2015 is R 62,898. The Current-service Cost for the ensuing year has been estimated to be R 76,000.

	2015 %	2014 %
Key actuarial assumptions used:		
i) Rate of Interest		
Discount rate	7,26%	7,70%
CPI (Consumer Price Inflation)	5,52%	5,95%
General Salary Inflation (long-term)	6,52%	6,95%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0,69%	0,70%

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve." Our discount rate was therefore set as the yield of the R209 South African government bond as at the valuation date. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. The actual yield on the R209 bond was sourced from the RMB Global Markets website on the 9th of April 2015.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3	EMPLOYEE BENEFITS (CONTINUE)	2015	2014
		R	R
	Experience adjustments were calculated as follows:		
	Liabilities: (Gain) / loss	93 808	69 081
	Assets: Gain / (loss)	-	-
	The experience adjustments in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2013	2012
		Rm	Rm
	Liabilities: (Gain) / loss	67 707	26 420
	Assets: Gain / (loss)	-	-
	The amounts recognised in the Statement of Financial Position are as follows:		
	Present value of fund obligations	1 109 000	1 005 846
	Net liability/(asset)	<u>1 109 000</u>	<u>1 005 846</u>
	Reconciliation of present value of fund obligation:		
	Present value of fund obligation at the beginning of the year	1 005 846	939 828
	Total expenses	9 346	66 660
	Current service cost	62 898	99 909
	Interest Cost	72 517	59 727
	Benefits Paid	(126 069)	(92 976)
	Actuarial losses/(gains)	93 808	(642)
	Present value of fund obligation at the end of the year	1 109 000	1 005 846
	Less: Transfer of Current Portion - Note 6	(202 000)	(130 936)
	Balance 30 June	<u>907 000</u>	<u>874 910</u>

Sensitivity Analysis on the Unfunded Accrued Liability

	-20% Withdrawal	Valuation	+20% Withdrawal
Total Accrued Liability	1 141 000	1 109 000	1 079 000
Current Service Cost	80 000	76 000	73 000
Interest Cost	81 000	79 000	77 000

	-1% Normal salary	Valuation	+1% Normal salary
Total Accrued Liability	1 053 000	1 109 000	1 168 000
Current Service Cost	72 000	76 000	81 000
Interest Cost	75 000	79 000	83 000

3.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in a sound financial position with a funding level of 99.9% (30 June 2013 - 100.2%).

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% or 23.06% by Council, till 31 August 2014. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in a sound financial position with a funding level of 101.70% (30 June 2013 - 99.20%). Whilst this has increased since the previous actuarial valuations it is still within the Registrar's normally acceptable range of at least a 95% funding level, provided that the previous statutory valuation reflected at least a 99.4% funding level.

Contributions paid recognised in the Statement of Financial Performance	<u>1 276 019</u>	<u>1 535 797</u>
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KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
4 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	2 304 558	2 763 484
Total Non-current Provisions	2 304 558	2 763 484
<u>Landfill Sites</u>		
Balance 1 July	2 763 484	2 578 384
Balance previously reported	-	3 191 216
Correction of Error - Note 33,02	-	(612 832)
Increase in Estimate	(603 668)	63 704
Unwinding of discounted interest	144 742	121 396
Balance previously reported	-	150 249
Correction of Error - Note 33,02	-	(28 853)
Total provision 30 June	2 304 558	2 763 484
<u>Less:</u> Transfer of Current Portion to Current Provisions	<u>-</u>	<u>-</u>
Balance 30 June	2 304 558	2 763 484

The municipality has an obligation to rehabilitate the following landfill sites at the end of the expected useful life of the asset. Details of the sites are as follows:

Location	Estimated decommission date	Cost of rehabilitation 2015 R	Cost of rehabilitation 2014 R
Carnarvon	2069	740 816	1 774 092
Vanwyksvlei	2084	665 396	491 855
Vosburg	2027	898 346	497 537
		2 304 558	2 763 484

Material Assumptions used

Area of landfill site consumed	2013	2014	2015
Carnarvon	21,68%	22,89%	0,82%
Vanwyksvlei	4,47%	6,55%	0,61%
Vosburg	6,97%	8,24%	6,69%
Discount Rate used	4,53%	4,71%	5,24%

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

	2015 R	2014 R
5 CONSUMER DEPOSITS		
Water & Electricity	308 159	292 769
Total Consumer Deposits	308 159	292 769

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

	2015 R	2014 R
6 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 3	261 000	88 380
Current Portion of Long-Service Provisions - Note 3	202 000	130 936
Provision for Performance Bonuses	184 453	165 843
Provision for Annual Bonuses	244 974	230 785
Provision for Staff Leave	1 027 134	1 043 200
Total Current Employee Benefits	1 919 560	1 659 145

The movement in current employee benefits are reconciled as follows:

Current Portion of Post Retirement Benefits - Note 3

Balance at beginning of year	88 380	131 868
Transfer from non-current	352 708	94 663
Expenditure incurred	(180 088)	(139 151)
Balance at end of year	261 000	88 380

Current Portion of Long-Service Provisions - Note 3

Balance at beginning of year	130 936	92 976
Transfer from non-current	197 133	150 105
Expenditure incurred	(126 069)	(112 145)
Balance at end of year	202 000	130 936

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
6		
CURRENT EMPLOYEE BENEFITS (CONTINUE)		
<u><i>Provision for Performance Bonuses</i></u>		
Balance at beginning of year	165 843	126 737
Contribution to current portion	164 820	178 550
Expenditure incurred	(146 210)	(139 444)
Balance at end of year	<u>184 453</u>	<u>165 843</u>
Performance bonuses are being paid to Municipal Manager and Managers after an evaluation of performance by the council. There is no possibility of reimbursement.		
<u><i>Provision for Staff Leave</i></u>		
Balance at beginning of year	1 043 200	953 032
Contribution to current portion	245 757	335 753
Expenditure incurred	(261 824)	(245 585)
Balance at end of year	<u>1 027 134</u>	<u>1 043 200</u>
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave up to 48 days, at reporting date. This provision will be realised as employees take leave.		
<u><i>Provision for Annual Bonuses</i></u>		
Balance at beginning of year	230 785	215 213
Contribution to current portion	14 189	15 572
Balance at end of year	<u>244 974</u>	<u>230 785</u>
Annual bonuses are being paid to Municipal personnel after one full year's service. There is no possibility of reimbursement.		
7		
PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	738 380	662 334
Balance previously reported		662 334
Operating Lease Asset previously year not recognised correctly - Note and Note 33.05		-
Payments received in advance	189 306	68 117
Other Payables	1 226	1 226
Total Trade Payables	<u>928 922</u>	<u>731 677</u>
Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary. Payables are being recognised net of any discounts.		
8		
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Unspent Grants	1 904 727	2 420 906
National and Provincial Government Grants	<u>1 904 727</u>	<u>2 420 906</u>
Total Conditional Grants and Receipts	<u>1 904 727</u>	<u>2 420 906</u>
The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.		
9		
TAXES		
VAT Payable	-	-
Less: Contribution to provision for impairment of trade receivables from exchange transactions	-	-
	<u>-</u>	<u>-</u>
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2014

Reconciliation of Carrying Value

	Opening Balance R	Additions R	Cost Wip R	Cost Less/Revaluation/Trans R	Closing Balance R	Opening Balance R	Accumulated Impairments Additions R	Closing Balance R	Opening Balance R	Accumulated Depreciation Depreciation Charge R	Disposals R	Closing Balance R	Carrying Value R
Land and Buildings													
Land	29 710 383	138 900	-	-	29 849 283	-	-	-	635 632	79 707	-	715 339	29 133 845
Balance previously reported	27 091 700	-	-	-	27 091 700	-	-	-	-	-	-	-	27 091 700
Correction of Error - Note 13.01	-1 417 300	-	-	-	-1 417 300	-	-	-	-	-	-	-	-1 417 300
Buildings	2 618 683	138 900	-	-	2 757 583	-	-	-	635 632	79 707	-	715 339	2 042 245
Infrastructure	73 113 295	-	3 845 657	-	76 958 952	-	-	-	8 028 148	2 174 489	-	10 202 647	66 756 305
Electricity	5 360 276	-	-	-	5 360 276	-	-	-	539 065	209 152	-	748 217	4 612 060
Road Transport	32 139 570	-	3 845 657	-	35 985 226	-	-	-	2 282 171	719 702	-	3 001 874	32 983 353
Sanitation	19 533 757	-	-	-	19 533 757	-	-	-	2 517 345	674 008	-	3 191 352	16 342 404
Solid Waste Disposal	1 377 431	-	-	-	1 377 431	-	-	-	154 367	62 052	-	218 419	1 168 983
Stormwater	478 365	-	-	-	478 365	-	-	-	81 540	31 439	-	112 979	366 407
Water Supply	14 223 874	-	-	-	14 223 874	-	-	-	2 453 630	478 146	-	2 931 776	11 292 098
Community Assets	3 989 393	-	3 346 855	-	7 336 249	-	-	-	1 112 472	110 904	-	1 223 377	6 112 872
Recreation Grounds	1 277 432	-	3 346 855	-	4 624 287	-	-	-	437 089	30 012	-	467 101	4 157 186
Child Buildings	651 277	-	-	-	651 277	-	-	-	265 647	13 772	-	279 420	371 857
Community	18 000	-	-	-	18 000	-	-	-	3 457	519	-	3 977	14 023
Museum	450 000	-	-	-	450 000	-	-	-	88 433	12 985	-	99 417	350 583
Clubs	451 000	-	-	-	451 000	-	-	-	88 625	13 013	-	99 638	351 362
Libraries	894 167	-	-	-	894 167	-	-	-	153 711	26 371	-	180 083	714 084
Parks & Gardens	41 070	-	-	-	41 070	-	-	-	21 924	604	-	22 608	18 462
Public Conveniences/Bathhouses	208 447	-	-	-	208 447	-	-	-	57 585	13 547	-	71 132	135 315
Other Assets	6 363 069	323 521	-	211 335	6 475 255	-	-	-	3 850 655	313 959	173 015	4 091 499	2 393 756
Motor Vehicles	2 854 178	-	-	-	2 854 178	-	-	-	1 744 976	134 057	-	1 879 043	775 135
Plant & Equipment	1 021 678	130 451	-	1 206	1 150 631	-	-	-	644 808	39 413	1 249	682 072	468 759
Office Equipment	533 290	4 409	-	96 421	634 120	-	-	-	317 542	40 128	94 216	263 454	177 623
Furniture & Fittings	919 928	21 844	-	68 022	979 794	-	-	-	539 731	45 532	64 567	517 896	357 255
Fire Engines	17 207	-	-	-	17 207	-	-	-	11 673	503	-	12 176	5 031
Computer Equipment	500 688	110 567	-	13 244	624 499	-	-	-	239 845	32 523	12 983	259 365	366 627
Refuse Tankers	549 766	-	-	-	549 766	-	-	-	454 960	22 693	-	477 653	72 093
Game	166 334	56 250	-	33 550	256 134	-	-	-	-	-	-	-	189 034
	113 176 141	462 421	7 182 512	211 335	120 619 739	-	-	-	13 726 907	2 878 969	173 015	16 232 861	104 366 877

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
Assets pledged as security:		
No assets are pledged as security.		
Third party payments received for losses incurred:		
Payments received (Excluding VAT)	-	-
Surplus/Deficit	-	-
Impairment of property plant and equipment		
Impairment charges on Property, plant and equipment recognised in statement of financial performance		
Land and Buildings	405	-
Community Assets	3 592	-
Other	10 910	-
	<u>14 906</u>	<u>-</u>
Effect of changes in accounting estimates		

The effect of a change in accounting estimate will have on the current period and subsequent periods:

	2015 R	2016 R	2017 R
Effect on Property, plant and equipment	<u>170 249</u>	<u>552 465</u>	<u>552 412</u>

11 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	10 214 722	10 227 052
Cost	10 301 100	10 301 100
Accumulated Depreciation	(86 378)	(74 048)
Depreciation for the year	(12 330)	(12 330)
Transfers from Property, Plant and equipment	5 280 000	-
Net Carrying amount at 30 June	<u>15 482 392</u>	<u>10 214 722</u>
Cost	15 581 100	10 301 100
Accumulated Depreciation	(98 708)	(86 378)
Fair value of these investment property is R19 214 400 and expenditure of R18 547 was identified on these investment properties.		
Revenue derived from the rental of investment property	<u>344 185</u>	<u>458 815</u>
Operating expenditure incurred on properties generating revenue	<u>18 547</u>	<u>10 639</u>
Operating expenditure incurred on properties not generating revenue	<u>-</u>	<u>-</u>
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
There are no contractual obligations to purchase, construct or develop investment property or for repairs and maintenance or enhancements.		
Estimated Fair Value of Investment Property at 30 June	<u>19 214 400</u>	<u>13 934 400</u>
Fair value was determined by valuation roll.		

12 INTANGIBLE ASSETS		
Computer Software		
Net Carrying amount at 1 July	25 188	27 370
Cost	203 614	187 386
Balance previously reported		187 355
Correction of Error - Note 33.04		31
Accumulated Amortisation	(178 425)	(170 016)
Acquisitions	-	6 228
Disposals	(4)	-
Impairments	-	-
Amortisation	(6 813)	(8 410)
Balance previously reported		(8 809)
Correction of Error - Note 33.04		399
Net Carrying amount at 30 June	<u>18 371</u>	<u>25 188</u>
Cost	203 610	203 614
Accumulated Amortisation	(185 238)	(178 425)

The following material intangible assets are included in the carrying value above

Description	Remaining Amortisation Period	Carrying Value	
		2015 R	2014 R
VIP Salary System	3	329	439
Capman Personal System	3	12 945	17 260
MS Office	2-3	5 097	7 490

No intangible asset were assessed having an indefinite useful life.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
13 HERITAGE ASSETS		
Net Carrying amount at 1 July	19 176	19 176
Net Carrying amount at 30 June	19 176	19 176
Cost	19 176	19 176

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

Third party payments received for losses and impairments incurred:

Payments received (Excluding VAT)	-	-
Carrying value of assets written off/lost/impairment	-	-
Surplus/Deficit	-	-

14 CAPITALISED RESTORATION COST		
Net Carrying amount at 1 July	718 892	675 480
Cost	900 996	837 292
Balance previously reported		1 423 101
Correction of Error - Note 33,03		-595 808
Accumulated Depreciation	(123 838)	-102 165
Balance previously reported		-147 321
Correction of Error - Note 33,03		45 156
Accumulated Impairments	(58 266)	-59 647
Balance previously reported		-74 050
Correction of Error - Note 33,03		14 402
Acquisitions	86 253	63 704
Balance previously reported		63 704
Correction of Error - Note 33,03		-
Depreciation for the year	(20 487)	-21 673
Balance previously reported		-33 835
Correction of Error - Note 33,03		12 261
Impairment	4 087	1 381
Balance previously reported		2 412
Correction of Error - Note 33,03		-1 031
Net Carrying amount at 30 June	788 745	718 892
Cost	987 249	900 996
Accumulated Depreciation	(144 325)	(123 838)
Accumulated Impairments	(54 179)	(58 266)

Restoration cost financed by way of a provision - Refer to note 4 for further details

15 LONG TERM RECEIVABLES		
Officials' Housing Loans - At amortised cost	58 712	68 508
<u>Less:</u> Unamortised Discount on Loans	(10 678)	(13 673)
Balance 1 July	(13 673)	(17 117)
Adjustment for the period	2 995	3 444
	48 034	54 835
<u>Less:</u> Current portion transferred to current receivables	(8 727)	(9 796)
Officials Housing Loans - At amortised cost	(8 727)	(9 796)
	39 306	45 039
<u>Less:</u> Provision for Impairment of Long Term Receivables	-	-
Total Long Term Receivables	39 306	45 039

STAFF HOUSING LOANS

Staff was entitled to housing loans which attract interest at 4% per annum and which are repayable over a maximum period of 20 years. When an employee resigns, the outstanding amount must be settled. These loans are secured since the Council is the bond holder.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
16 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
<i>Service Receivables</i>		
Water	624 785	212 858
Electricity	444 679	965 939
Refuse	210 448	236 052
Sewerage	485 306	204 843
Payments received in advance	189 306	68 117
Total Service Receivables	1 954 525	1 687 809
Less: Provision for Impairment	(537 424)	(581 561)
Net Service Receivables	1 417 101	1 106 248
<i>Other Receivables</i>		
Sundry Receivables	810 570	582 171
Rentals	328 735	310 589
VAT	602 390	457 710
Total Other Receivables	1 741 695	1 350 470
Less: Provision for Impairment	(328 735)	(240 947)
Less: Contribution to provision for VAT impairment of trade receivables from exchange transactions	(378 005)	(243 699)
Net Other Receivables	1 034 955	865 824
Total Net Receivables from Exchange Transactions	2 452 056	1 972 072
Ageing of Receivables from Exchange Transactions		
<i>(Electricity): Ageing</i>		
Current (0 - 30 days)	377 302	859 497
31 - 60 Days	(8 604)	4 471
61 - 90 Days	11 774	(3 389)
+ 90 Days	64 208	105 361
Total	444 679	965 939
<i>(Water): Ageing</i>		
Current (0 - 30 days)	378 985	49 917
31 - 60 Days	63 438	41 029
61 - 90 Days	39 689	37 798
+ 90 Days	142 694	84 114
Total	624 785	212 858
<i>(Refuse): Ageing</i>		
Current (0 - 30 days)	160 205	70 741
31 - 60 Days	51 417	43 273
61 - 90 Days	12 781	40 639
+ 90 Days	(13 953)	81 400
Total	210 448	236 052
<i>(Sewerage): Ageing</i>		
Current (0 - 30 days)	220 816	41 540
31 - 60 Days	53 976	45 545
61 - 90 Days	34 408	45 900
+ 90 Days	176 106	71 857
Total	485 306	204 843
<i>(Sundry Receivables): Ageing</i>		
Current (0 - 30 days)	1 034 955	89 535
31 - 60 Days	(224 385)	492 636
61 - 90 Days	-	-
+ 90 Days	-	-
Total	810 570	582 171
<i>(VAT): Ageing</i>		
Current (0 - 30 days)	224 385	214 011
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	378 005	243 699
Total	602 390	457 710
<i>(Rentals): Ageing</i>		
Current (0 - 30 days)	-	69 643
31 - 60 Days	-	240 947
61 - 90 Days	5 339	-
+ 90 Days	323 397	-
Total	328 735	310 590

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		2015 R	2014 R	
<i>Service Receivables</i>				
Rates		1 870 564	2 377 039	
Other Receivables		-	-	
Accrued Fines		-	-	
Total Service Receivables		1 870 564	2 377 039	
Less: Provision for Impairment		(1 861 767)	(2 377 039)	
Net Service Receivables		8 797	-	
Total Net Receivables from Non-Exchange Transactions		8 797	-	
<i>Ageing of Receivables from Non-Exchange Transactions</i>				
<i>(Rates): Ageing</i>				
Current (0 - 30 days)		8 797	-	
31 - 60 Days		6 971	17 920	
61 - 90 Days		13 075	18 842	
+ 90 Days		1 841 721	2 340 277	
Total		1 870 564	2 377 039	
<i>(Other Receivables): Ageing</i>				
Current (0 - 30 days)		-	-	
31 - 60 Days		-	-	
61 - 90 Days		-	-	
+ 90 Days		-	-	
Total		-	-	
<i>Summary of Receivables by Customer Classification</i>				
	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
2015				
Total Receivables	4 374 622	94 602	1 097 560	5 566 784
Less: Provision for Impairment	(2 727 926)	-	-	(2 727 926)
Less: Provision for Impairment (VAT)	(378 005)	-	-	(378 005)
Total Recoverable debtors by customer classification	1 268 692	94 602	1 097 560	2 460 854
<i>Summary of Receivables by Customer Classification</i>				
	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
2014				
Total Receivables	4 446 136	89 535	679 646	5 415 317
Less: Provision for Impairment	(3 199 546)	-	-	(3 199 546)
Less: Provision for Impairment (VAT)	(243 699)	-	-	(243 699)
Total Recoverable debtors by customer classification	1 002 891	89 535	679 646	1 972 072
<i>Receivables Impaired</i>				
2015		Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
Total		866 159	1 061 767	2 727 926
2014		Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
Total		822 507	2 377 039	3 199 546
Monthly rate debts are required to be settled after 30 days, interest is charged on rates after this date at prime +1%.				
The fair value receivables approximates their carrying amounts.				
<i>Reconciliation of the Total doubtful debt provision</i>				2015 R
				2014 R
Balance at beginning of the year		3 443 246		2 677 508
Contributions to provision		-		1 449 360
VAT contribution to Impairment provision		134 306		31 502
Impairment written off against provision		(471 620)		(715 125)
Balance at end of year		3 105 931		3 443 246

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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OPERATING LEASE ARRANGEMENTS

The Municipality as Lessor

Balance on 1 July	29 515	22 830
Operating Lease Asset for the current year	5 617	6 685
Balance on 30 June	35 132	29 515

The municipality is leasing a piece of land to MTN for a period of 119 months with escalations of 10% per year.

The municipality is leasing a piece of land to Vodacom for a period of 119 months with escalations of CPI with a maximum of 10% per year.

The municipality is leasing a piece of land to Sentech for a period of 49 months with escalations of CPI with a maximum of 10% per year.

The municipality is leasing a piece of land to Immerging farmers for a period of 60 months with escalations of 6% per year, starting 1 January 2016.

	2015 R	2014 R
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	271 502	389 060
2 to 5 Years	572 245	356 642
More than 5 Years	61 591	94 190
Total Operating Lease Arrangements	905 337	839 892

This lease income was determined from a contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The lease is in respect of land being leased by MTN until 2017.

The lease is in respect of land being leased by Vodacom until 2022.

The lease is in respect of land being leased by Sentech until 2017.

The lease is in respect of land being leased by Immerging farmers until December 2019.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year

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CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	22 125 577	22 444 086
Primary Bank Account (Cash book)	250 859	167 919
Total Cash and Cash Equivalents - Assets	22 376 445	22 612 006

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R1 904 727 are held to fund the Unspent Conditional Grants (2014: R2 420 906).

Kareeberg Municipality do not have a bank overdraft facility.

	2015 R	2014 R
The municipality has the following bank accounts:		
<u>Current Accounts</u>		
Camarvon ABSA - Account Number 40 50 475 166 (Primary Bank Account):	250 859	167 919
	250 859	167 919
Camarvon ABSA - Account Number 40 50 475 166 (Primary Bank Account):		
Cash book balance at beginning of year	167 919	283 182
Cash book balance at end of year	250 859	167 919
Bank statement balance at beginning of year	1 812 854	3 038 252
Bank statement balance at end of year	2 209 826	1 812 854

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

			2015 R	2015 R	2014 R
<u>Call Investment Deposits</u>					
Call investment deposits consist out of the following accounts:			Bank Certificates (excl. accruals)		
Account no.	Place of investment	Name of fund			
20-5772-3831	ABSA	Capital Replacement Reserve	11 347 812	11 347 812	11 347 812
20-7477-9380	ABSA	Housing Fund	37 848	38 010	36 294
20-7477-9380	ABSA	Job creation - De Bult	38 293	38 458	36 695
20-7477-9380	ABSA	Land development	16 443	16 514	15 788
20-7477-9380	ABSA	Land development	15 004	15 068	14 408
20-7477-9360	ABSA	Land development	28 679	28 802	27 502
08-870-543-9	STANDARD BANK	Civil Defence	18 962	18 986	18 381
92-8617-3395	ABSA	EPWP Vosburg dust	288 797	288 797	588 562
20-7477-9380	ABSA	CMIP Kwaggakolk(VAT)	606	609	111 429
08-870-5536	STANDARD BANK	Sanitation interest/VAT	1 135 046	1 135 046	1 258 137
20-7477-9380	ABSA	Electricity	34 498	34 647	33 082
20-7477-9380	ABSA	Water Services Plan	3 225	3 239	3 093
20-7477-9380	ABSA	CMIP-Saalpoort project 301	3 540	3 556	3 395
20-7477-9380	ABSA	EPWP - Paving/ Cleaning	23 321	23 421	22 365
20-7477-9380	ABSA	Lotto Camarvon	1 791	1 799	1 718
20-7477-9380	ABSA	Lotto Vosburg	31 587	31 723	30 291
20-7477-9380	ABSA	Transfer Fees Sub-Economic Housing	132 786	133 356	127 024
20-7477-9380	ABSA	VB Cleaning Project	25 216	25 324	24 181
20-7477-9380	ABSA	VAT - retention	11 701	11 752	11 221
92-1221-8064	ABSA	Youth Development	93 632	93 632	93 632
92-1221-8064	ABSA	Leave Fund	2 565 560	2 565 560	2 445 675
92-8504-7305	ABSA	Retension	699 483	738 390	662 334
92-1221-8064	ABSA	Provision for Employee benefits	4 000 000	4 000 000	4 000 000
92-1221-8064	ABSA	Reserves	352 116	352 116	352 116
08-871-0777	STANDARD BANK	General Account	1 217 868	1 178 962	1 178 951
			22 123 816	22 125 577	22 444 006

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PROPERTY RATES

Actual

Rateable Land and Buildings

6 329 512

6 451 869

Residential, Commercial Property
State - National / Provincial Services

5 741 131

5 896 791

588 381

555 078

Less: Reductions
Less: Rebates

(454 427)

(436 264)

(1 677 372)

(1 778 217)

Total Assessment Rates

4 197 712

4 237 388

Valuations - 30 June 2015:

Rateable Land and Buildings

1 955 780 025

1 942 301 400

Residential & Commercial Property
State - National / Provincial Services

1 909 040 825

1 895 862 200

46 739 200

46 439 200

Total Assessment Rates

1 955 780 025

1 942 301 400

Valuations - 30 June 2015:

Valuation

Residential

232 292 000

State

20 912 600

State: Agriculture

25 026 400

Agriculture

1 454 997 800

Municipal

21 000 125

Schietfontein

93 000

Churches

11 850 200

Infrastructure

345 800

Public Benefit Organisations

2 348 000

Commonage

178 000

Commonage (rentals)

13 290 900

Infrastructure farms

171 683 500

Sport clubs

961 500

Total Property Valuations

1 955 780 025

Assessment Rates are levied on the values of immovable properties. A Supplementary roll was performed during 2014/15. The tariffs applicable are proclaimed by PK 69 dated 16 June 2014.

Rates are levied annually and are payable after due dates. Interest is levied on monthly and annually outstanding amounts at prime rate plus 1% after due dates.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

21	GOVERNMENT GRANTS AND SUBSIDIES	2015 R	2014 R
	Unconditional Grants	15 095 000	13 268 000
	Equitable Share - Refer to Note 21,01	15 095 000	13 268 000
	Conditional Grants	14 482 021	11 995 313
	Department of Water Affairs and Forestry	2 705 788	-
	Water Assistance	-	158 077
	CMIP Kwaggakolk (VAT)	112 586	-
	Municipal Systems Improvement Grant	628 753	868 970
	Sanitation - sewerage	116 117	148 100
	Library Development Projects	855 000	773 000
	Municipal Finance Management Grant	1 617 259	1 523 259
	Municipal Infrastructure Grant	6 956 434	6 267 694
	War on Leaks	-	259 474
	Expanded Public Works Program (PWPG)	1 000 000	943 100
	Expanded Public Works Program (EPWP Incentive)	269 084	1 055 640
	Total Government Grants and Subsidies	29 578 021	25 263 313
	Government Grants and Subsidies - Capital	10 026 175	7 357 500
	Government Grants and Subsidies - Operating	19 551 846	17 905 813
		29 578 021	25 263 313
	The municipality does not expect any significant changes to the level of grants.		
	Revenue recognised per vote as required by Section 123 (c) of the MFMA		
	Equitable share	15 095 000	13 268 000
	Executive & Council	8 994 332	7 392 054
	Budget & Treasury	5 487 689	3 624 551
	Waste Water Management	-	326 236
	Water	-	326 236
	Electricity	-	326 236
		29 578 021	25 263 313
21,01	Equitable share		
	In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent households. All registered indigents receive 10kl free water and 50kwh electricity per month, which is funded from this grant.		
	All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of basic services for the geographical area concerned and range from R269 per month to R564 per month.(2014: R254 per month to R530 per month)		
	Grants received	15 095 000	13 268 000
	Conditions met	(15 096 000)	(13 268 000)
	Conditions still to be met	-	-
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
21,02	Municipal Infrastructure Grant (MIG)		
	Grants received	7 848 000	7 089 000
	Conditions met	(905 376)	(821 306)
	Conditions met - Capital	(6 942 624)	(6 267 694)
	Conditions still to be met	-	-
	The grant was used to upgrade infrastructure in the Kareeberg areas.		
21,03	Local Government Financial Management Grant (FMG)		
	Grants received	1 600 000	1 650 000
	Conditions met	(1 600 000)	(1 650 000)
	Conditions met - Capital	-	-
	Conditions still to be met	-	-
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)		
21,04 Municipal Systems Improvement Grant		
Grants received	934 000	890 000
Conditions met	(934 000)	(890 000)
Conditions met - Capital	-	-
Conditions still to be met	-	0
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
21,05 Library Development Projects		
Grants received	855 000	773 000
Conditions met	(715 207)	(748 639)
Conditions met - Capital	(139 793)	(24 351)
Conditions still to be met	-	0
The grant was used for the development of libraries in the Kareeberg area.		
21,06 Youth Development		
Opening balance	93 632	93 632
Grants received	-	-
Conditions still to be met	93 632	93 632
The grant will be used for youth development related issues in the Kareeberg area.		
21,07 War on Leaks		
Grants received	-	259 474
Conditions met	-	(259 474)
Conditions still to be met	-	-
The grant was used for job creation on repairs of water distribution in the Kareeberg area.		
21,08 Water Assistance		
Grants received	-	156 077
Conditions met	-	(156 077)
Conditions met - Capital	-	-
Conditions still to be met	-	-
The grant was used for water supply in the Kareeberg area. (Vanwyksvlei)		
21,09 Expanded Public Works Program		
Opening balance	588 562	-
Grants received	-	1 752 495
Conditions met	(62 796)	(237 388)
Conditions met - Capital	(236 970)	(926 545)
Conditions still to be met	288 787	588 562
The grant was used for infrastructure development in the Kareeberg area. (Vosburg)		
21,10 Expanded Public Works Program (R1m)		
Grants received	1 000 000	1 000 000
Conditions met	(1 000 000)	(861 100)
Conditions met - Capital	-	(138 900)
Conditions still to be met	-	-
The grant was used for labour (for example security services) in the Kareeberg area.		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)			
21,11	Job Creation De Bult		
	Opening balance	36 695	35 838
	Interest received	1 763	657
	Conditions still to be met	<u>38 458</u>	<u>36 495</u>
	The grant will be used for job creation in the Kareeberg area. (Camarvon)		
21,12	Land Development		
	Opening balance	57 698	56 900
	Interest received	2 686	798
	Conditions still to be met	<u>60 384</u>	<u>57 698</u>
	The grant will be used for a land development plan in the Kareeberg area.		
21,13	Civil Defence		
	Opening balance	18 361	17 891
	Interest received	604	490
	Conditions still to be met	<u>18 965</u>	<u>18 381</u>
	The grant will be used for civil defence in the Kareeberg area.		
21,14	CMIP Kwaggakolk (VAT)		
	Opening balance	111 429	110 426
	Interest received	1 786	1 003
	Conditions met	<u>(112 586)</u>	<u>-</u>
	Conditions still to be met	<u>609</u>	<u>111 429</u>
	The grant will be used for a water project in the Kareeberg area. (Vanwyksvlei)		
21,15	Sanitation - sewerage		
	Opening balance	1 258 137	1 406 237
	Conditions met	(123 091)	(148 100)
	Conditions met - Capital	-	-
	Conditions still to be met	<u>1 135 046</u>	<u>1 258 137</u>
	The grant will be used for a sanitation development in the Kareeberg area.		
21,16	Electricity		
	Opening balance	33 082	32 785
	Interest received	1 564	298
	Conditions still to be met	<u>34 647</u>	<u>33 082</u>
	The grant will be used for electricity infrastructure development in the Kareeberg area. (Schiefontein)		
21,17	Water Service Plan		
	Opening balance	3 093	3 065
	Interest received	147	28
	Conditions still to be met	<u>3 239</u>	<u>3 093</u>
	The grant will be used for a water service plan in the Kareeberg area.		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)		
21,18	CMIP - Saalpoort project 301		
	Opening balance	3 395	3 364
	Interest received	161	30
	Conditions still to be met	3 556	3 395
	The grant will be used for a bore hole water project in the Kareeberg area. (Carnarvon)		
21,19	Paving Projects		
	Opening balance	22 365	22 163
	Interest received	1 057	201
	Conditions still to be met	23 421	22 365
	The grant will be used for a extended public works program in the Kareeberg area.		
21,20	Lotto Carnarvon		
	Opening balance	1 718	1 703
	Interest received	81	15
	Conditions still to be met	1 799	1 718
	The grant will be used for Lotto projects in the Kareeberg area. (Erection of sport facilities)		
21,21	Lotto Vosburg		
	Opening balance	30 291	30 018
	Interest received	1 432	273
	Conditions still to be met	31 723	30 291
	The grant will be used for Lotto projects in the Kareeberg area. (Equipment)		
21,22	Transfer Fees Sub-Economic		
	Opening balance	127 024	123 503
	Interest received	6 332	3 521
	Conditions still to be met	133 356	127 024
	The grant will be used for transfer fees of sub-economic houses in the Kareeberg area.		
21,23	Cleaning Project Vosburg		
	Opening balance	24 181	23 964
	Interest received	1 143	218
	Conditions still to be met	25 324	24 181
	The grant will be used for a cleaning project in the Kareeberg area.		
21,24	VAT - Retention		
	Opening balance	11 221	11 120
	Interest received	530	101
	Conditions still to be met	11 752	11 221
	The grant will be used for maintenance in the Kareeberg area.		
21,25	Department of Water Affairs and Forestry		
	Opening balance	-	-
	Interest received	-	-
	Grants received	3 085 590	-
	Conditions met	(378 802)	-
	Conditions met - Capital	(2 708 788)	-
	Conditions still to be met	-	-
	The grant will be used for Infrastructure (pipeline to Van Wyksvlei) in the Kareeberg area.		
21,26	Total Grants		
	Opening balance	2 420 906	1 972 611
	Interest received	19 265	7 832
	Grants received	30 618 590	26 638 047
	Conditions met	(21 127 858)	(19 040 085)
	Conditions met - Capital	(10 026 175)	(7 357 500)
	Conditions still to be met	1 904 727	2 420 906
		2015 R	2014 R
22	SERVICE CHARGES		
	Electricity	7 617 894	7 610 610
	Service Charges	7 617 894	7 610 610
	Water	4 318 992	3 672 495
	Service Charges	4 318 992	3 672 495
	Refuse removal	3 414 462	3 119 131
	Service Charges	3 414 462	3 119 131
	Sewerage and Sanitation Charges	2 598 446	2 396 121
	Service Charges	2 598 446	2 396 121
	Total Service Charges	17 949 794	16 998 357

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
23 OTHER REVENUE		
Application Specific Registrations	1 866	2 499
Sale of Sand	-	10
Building Fees	650	316
Photocopies	4 325	5 807
Grave Fees	8 630	10 135
Searching Fees	2 630	535
Scrap metal sale	19 474	12 281
Encroachment	917	917
Cement block Sales	1 820	1 560
Pond Fees	620	675
Refuse Bags Sold	2 246	1 582
Connection Fees	160	90
Faxes	-	240
Gain due to additions on Biological assets	46 600	56 250
Valuation Certificates	460	775
Grant VAT Income	1 576 011	1 134 272
Electricity caravan park	573	470
Income IGRAP 2 - Rehabilitation Costs	689 921	-
Reversal of Impairment (Revenue)	4 087	-
Total Other Income	2 360 990	1 228 412
24 FAIR VALUE ADJUSTMENTS		
Unamortised Discount - Interest - LT Receivables	2 995	3 444
	2 995	3 444
25 EMPLOYEE RELATED COSTS		
Other Allowances	900	900
Salaries & Wages	13 180 454	9 891 716
Uniform Allowance	-	34 167
Leave Reserve Fund	245 757	335 753
Personnel Contributions	1 883 053	2 168 386
Skill Development Levy	155 149	133 621
Bargaining Council	6 051	5 740
Pension Gratification	444	444
UIF	96 629	73 485
Performance Bonuses	164 820	178 550
Annual Bonuses	14 189	15 572
Contribution to Employee Benefits - Long Service Awards - Note 3	62 898	99 909
Contribution to Employee Benefits - Post Retirement Medical - Note 3	342 612	298 541
Reclassification Operating Grant Expenditure as Employee Related Costs - Refer note 33,06		1 986 433
Reclassification Uniform Allowance (Employee Related Costs) as General Expenditure - Refer note 33,06		(34 167)
	16 252 966	15 189 050
<u>Less:</u> Employee Costs allocated elsewhere	-	-
Total Employee Related Costs	16 252 966	15 189 050
Note should be taken that Employee Related Costs now include employee expenses that was previously disclosed under Operating Grant Expenditure. This will result in reconciling items with the reconciliation with the payroll system.		
KEY MANAGEMENT PERSONNEL		
Municipal Manger is appointed on a 4 1/2-year fixed contract. There are no post-employment or termination benefits payable to him at the end of the contract period.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
<i>Remuneration of the Municipal Manager: Mr W. de Bruin</i>		
Salary and Performance Bonus	880 200	776 250
UIF	1 785	1 785
Bargaining Council	81	76
Total	882 066	778 111
<i>Remuneration of the Chief Finance Officer: Mr. P.B. Rossouw</i>		
Salary and Bonus, Performance Bonus	674 392	625 523
Travel Allowance	146 700	137 436
Pension	102 455	114 659
Medical	41 786	40 703
UIF	1 785	1 785
Bargaining Council	81	76
Cell phone (VAT Included)	18 000	18 000
Total	985 209	938 182
<i>Remuneration of Chief Operations Manager: Mr. A.P.F. van Schalkwyk</i>		
Salary and Bonus, Performance Bonus	763 139	647 896
Travel Allowance	146 700	137 436
Pension	107 432	120 229
Medical	43 416	42 892
UIF	1 785	1 785
Bargaining Council	81	76
Cell phone (VAT Included)	24 000	24 000
Total	1 086 554	974 114
<i>Remuneration of Head : Corporate Services: Mr. N.J. van Zyl</i>		
Salary and Bonus, Performance Bonus	658 867	607 442
Travel Allowance	146 700	137 436
Pension	97 870	89 500
Medical	34 992	32 659
UIF	1 785	1 785
Bargaining Council	81	76
Cell phone (VAT Included)	18 000	18 000
Total	958 315	886 897

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
26	REMUNERATION OF COUNCILLORS		
	Mayor Mr N.I. Titus	672 763	634 663
	Councillor Mr J.E.J. Hoom	201 829	190 405
	Councillor Mr J. Home	201 829	190 405
	Councillor Mr D.P. Jason	201 829	190 405
	Councillor Ms D. Olifant	201 829	190 405
	Councillor Ms E.L. Riley	201 829	190 405
	Councillor Mr P. Viviers	201 829	190 405
	Councillors' Cell phones	136 374	135 846
	Total Councillors' Remuneration	2 020 110	1 912 960
	<i>In-kind Benefits</i>		
	The Mayor is fulltime. He is provided with an office at the cost of the Council.		
27	DEBT IMPAIRMENT		
	Receivables from exchange transactions - Note 16	-	837 195
	Receivables from non-exchange transactions - Note 17	-	612 165
	Total Contribution to Impairment Provision	-	1 449 360
28	FINANCE CHARGES		
	Post Retirement Charges	728 386	661 476
	Landfill sites	144 742	121 396
	Total finance charges	873 128	782 872
29	BULK PURCHASES		
	Electricity bulk purchases	8 532 727	7 904 574
	Electricity distribution losses	(413 583)	(897 249)
	Total Bulk Purchases	8 119 144	7 007 325
30	GRANTS AND SUBSIDIES		
	Indigent Subsidies	8 018 446	7 536 185
	Reclassification Operating Grant Expenditure as Grants and Subsidies - Refer note 33,06		(368 456)
	Total Grants and Subsidies	8 018 446	7 167 729
31	OPERATING GRANT EXPENDITURE		
	Operating grant expenditure per vote		
	Executive & Council	-	4 637 813
	Reclassification Operating Grant Expenditure against other expenditure classes - Refer note 33,06		(4 637 813)
	General Expenses	-	-
32	GENERAL EXPENSES		
	Audit Costs	2 240 071	1 842 856
	Fuel & Oil	772 995	704 602
	Subsistence and Travelling	949 802	538 682
	Telephone & Postage	362 761	335 055
	Bank charges	134 267	123 823
	Electricity Eskom	291 619	226 035
	Street Lighting	281 657	258 594
	Animal Feeds	122 213	116 070
	Advertisement, printing & stationery	203 582	148 012
	Refuse bag purchases	135 000	108 000
	Insurance	176 954	161 368
	Other General Expenses	713 365	375 977
	Consultation Fees	650 655	-
	Membership for associations	500 000	450 000
	Chemicals	210 281	116 297
	Legal costs	24 843	652 797
	Special programmes	-	87 391
	Reclassification Operating Grant Expenditure as General Expenditure - Refer note 33,06		1 426 799
	Reclassification Uniform Allowance (Employee Related Costs) as General Expenditure - Refer note 33,06		34 167
	General Expenses	7 972 046	7 706 624

Other General Expenses include administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial Performance. This include items such as vehicle licenses, cleaning materials, valuation costs, refreshments, water services fees and workmen compensation.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

33	CORRECTION OF ERROR IN TERMS OF GRAP 3	2014
		R
33,01	Property, Plant and Equipment	
	Balance previously reported	105 804 177
	First time recognition and remove incorrect land and building cost (PPE) - Note 33,05 and 10	(1 417 300)
	Total	104 386 877
33,02	Non-Current Provisions	
	Balance previously reported	3 405 169
	Correction on calculation of cost additions as at 30 June 2013 - Note 33,03 and 4	(585 808)
	Correction on calculation of provision contribution against accumulated surplus as at 30 June 2013 - Note 33,05 and 4	(27 024)
	Correction on calculation of provision increase against finance charges during 2013/14 - Note 33,05 and 4	(28 853)
	Total	2 763 484
33,03	Capitalised Restoration Cost	
	Balance previously reported	1 233 910
	Correction on calculation of accumulated depreciation as at 30 June 2013 - Note 33,05 and 14	45 156
	Correction on calculation of depreciation during 2013/14 - Note 33,06 and 14	12 261
	Correction on calculation of accumulated impairment as at 30 June 2013 - Note 33,05 and 14	14 402
	Correction on calculation of impairment during 2013/14 - Note 33,05 and 14	(1 031)
	Correction on calculation of cost additions as at 30 June 2013 - Note 33,02 and 14	(585 808)
	Total	710 892
33,04	Intangible Assets	
	Balance previously reported	24 750
	Correction on calculation of Accumulated Amortisation during 2013/14 - Note 33,06 and 12	399
	First time recognition of Intangible Assets during 2013/14 - Note 33,05 and 12	31
	Total	25 180
33,05	Accumulated Surplus/(Deficit)	
	Balance previously reported	113 651 570
	First time recognition and remove incorrect land and building cost (PPE) - Note 33,01 and 10	(1 417 300)
	First time recognition of Intangible Assets during 2013/14 - Note 12 and 33,04	31
	Correction on calculation of provision contribution against accumulated surplus as at 30 June 2013 - Note 33,02 and 4	27 024
	Correction on calculation of accumulated depreciation (Capitalised Restoration Cost) as at 30 June 2013 - Note 33,03 and 14	45 156
	Correction on calculation of accumulated impairment (Capitalised Restoration Cost) as at 30 June 2013 - Note 33,03 and 14	14 402
	Total	112 320 884
33,06	Statement of Financial Performance	
	Balance previously reported	2 047 704
	Reclassification Uniform Allowance (Employee Related Costs) as General Expenditure - Refer note 33,06	34 167
	Reclassification Uniform Allowance (Employee Related Costs) as General Expenditure - Refer note 33,06	(34 167)
	Reclassification Operating Grant Expenditure as Employee Related Costs - Refer note 33,06	(1 986 433)
	Reclassification Operating Grant Expenditure as Repairs and Maintenance - Refer note 33,06	(1 166 974)
	Reclassification Operating Grant Expenditure as Contracted Services - Refer note 33,06	(426 063)
	Reclassification Operating Grant Expenditure as Grants and Subsidies - Refer note 33,06	368 456
	Reclassification Operating Grant Expenditure as General Expenditure - Refer note 33,06	(1 426 799)
	Reclassification Operating Grant Expenditure against other expenditure classes - Refer note 33,06	4 637 613
	Correction on calculation of Accumulated Amortisation during 2013/14 - Note 33,04 and 12	399
	Correction on calculation of provision increase against finance charges during 2013/14 - Note 33,02 and 4	28 853
	Correction on calculation of depreciation (Capitalised Restoration Cost) during 2013/14 - Note 33,03 and 14	12 261
	Correction on calculation of impairment (Capitalised Restoration Cost) during 2013/14 - Note 33,03 and 14	(1 031)
	Total	2 088 187

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
34 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus for the year	7 790 659	2 880 187
Adjustments for:		
Depreciation	3 036 961	2 712 973
Amortisation of Intangible Assets	6 813	6 410
Contribution to Capitalised Restoration Cost	(90 340)	(65 085)
(Gain)/Loss on disposal of property, plant and equipment	41 936	11 885
Contribution from/to employee benefits - non-current	1 133 899	1 059 926
Contribution from/to employee benefits - non-current - expenditure incurred	(308 156)	(250 296)
Contribution from/to employee benefits - non-current - actuarial losses	93 809	18 527
Contribution from/to employee benefits - non-current - actuarial gains	(665 727)	(139 679)
Contribution to employee benefits – current	424 766	529 875
Contribution to employee benefits – current - expenditure incurred	(408 034)	(385 029)
Contribution to provisions – non-current - Rehabilitation of Landfill-sites	(603 668)	63 704
Contribution to provisions – non-current - Unwinding of discounted interest	144 742	121 396
Contribution to provisions – bad debt	-	1 449 360
Contribution to provisions – VAT Impairment	134 306	31 502
Unamortised discount - Interest - Revenue	(2 985)	(3 444)
Bad debt written off	(471 620)	(715 125)
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(516 178)	448 294
Operating lease income accrued	(5 617)	(5 685)
Operating lease expenses accrued	-	-
Operating Surplus/(Deficit) before changes in working capital	9 737 550	7 779 696
Changes in working capital	45 779	(754 517)
Increase/(Decrease) in Payables from exchange transactions	197 245	(109 165)
(Increase)/Decrease in Trade Receivables from exchange transactions	(657 941)	(33 467)
(Increase)/Decrease in Other Receivables from non-exchange transactions	506 475	(611 885)
Cash generated/(absorbed) by operations	9 783 329	7 025 179
35 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 19	22 125 577	22 444 086
Bank - Note 19	250 869	167 919
Total cash and cash equivalents	22 376 445	22 612 006
36 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 35	22 376 445	22 612 006
Less:	22 376 445	22 612 006
Unspent Committed Conditional Grants - Note 6	1 942 738	2 457 200
Cash Portion of Housing Development Fund - Note 2	1 904 727	2 420 906
	38 010	36 294
Net cash resources available for internal distribution	20 433 707	20 154 806
Allocated to:		
Capital Replacement Reserve	(11 347 812)	(11 347 812)
Retension	(738 390)	(662 334)
Provision for Employee benefits	(4 000 000)	(4 000 000)
Reserves	(352 116)	(352 116)
Staff Leave, Performance Management Bonus, Long Service	(2 565 560)	(2 445 675)
Resources available for working capital requirements	1 429 830	1 346 870

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

37 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

37,01 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	-	630 390
Unauthorised expenditure current year - capital	2 402 587	264 420
Unauthorised expenditure current year - operating	396 078	3 580 707
Written off supported by council	(2 798 665)	(4 475 517)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	0	-

Incident	Disciplinary steps/criminal proceedings
2014 - Salaries MSIG - R680 194.63	None
2014 - Performance Bonus - Municipal Manager 2012/2013 - R26 250	None
2014 - Legal Costs - R682 716	None
2014 - Course Fees R45 500	None

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 R (Unauthorised)
Unauthorised expenditure current year - operating				
Executive & Council	18 558 951	21 697 749	(3 138 798)	-
Budget & Treasury	7 626 269	8 432 117	(805 848)	-
Corporate Services	1 841 246	2 088 246	(247 000)	-
Planning & Development	-	-	-	-
Health	30 356	57 255	(26 899)	-
Community & Social Services	1 063 260	1 369 344	(306 084)	-
Housing	-	-	-	-
Public Safety	56 578	111 134	(54 556)	-
Sport & Recreation	703 500	687 128	16 372	16 372
Environmental Protection	-	-	-	-
Waste Management	2 947 658	3 082 570	(134 912)	-
Waste Water Management	3 146 511	2 805 582	340 929	340 929
Road Transport	2 959 463	2 970 896	(11 433)	-
Water	1 205 173	1 166 396	38 777	38 777
Electricity	9 197 390	9 310 584	(113 194)	-
	49 336 356	53 779 001	(4 442 645)	396 078

Unauthorised expenditure current year - capital

	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 R (Unauthorised)
Executive & Council	-	-	-	-
Budget & Treasury	12 509	-	12 509	12 509
Corporate Services	-	-	-	-
Planning & Development	-	-	-	-
Health	-	-	-	-
Community & Social Services	889 431	800 000	89 431	89 431
Housing	-	-	-	-
Public Safety	-	-	-	-
Sport & Recreation	1 358 752	3 048 000	(1 689 248)	-
Environmental Protection	-	-	-	-
Waste Management	-	-	-	-
Waste Water Management	15 799	750 000	(734 201)	-
Road Transport	5 050 647	2 750 000	2 300 647	2 300 647
Water	2 714 600	12 000 000	(9 285 400)	-
Electricity	-	500 000	(500 000)	-
	10 041 738	19 848 000	(9 806 262)	2 402 587

37,02 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Written off supported by council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings
None	None

37,03 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	-	1 895 544
Irregular expenditure - prior year identified in current year	-	-
Irregular expenditure current year	-	728 216
Written off supported by council	-	(2 623 760)
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings
2014 - Course Fees	None
2014 - Legal Fees	None

37,04 Material Losses

Electricity distribution losses

Units purchased (Kwh)	8 337 899	8 690 031
- Units lost during distribution (Kwh)	404 140	586 406
- Percentage lost during distribution	4,85%	11,35%

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

30 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

38,01 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

Council subscriptions	500 000	450 000
Amount paid - current year	(500 000)	(450 000)
Balance unpaid (included in creditors)	-	-

38,02 Audit fees - [MFMA 125 (1)(b)] (excl. VAT)

	2015 R	2014 R
Current year audit fee	2 240 071	1 842 956
External Audit - Auditor-General	2 240 071	1 842 956
Amount paid - current year	(2 240 071)	(1 842 956)
Balance unpaid (included in creditors)	-	-

38,03 VAT - [MFMA 125 (1)(b)]

Opening balance	(829 098)	(865 938)
Amounts received - current year	2 800 344	2 463 796
Amounts claimed - current year (payable)	(3 740 697)	(3 092 895)
Amounts received - previous year	629 098	865 938
Closing balance	(940 353)	(629 098)

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

38,04 PAYE, SDL and UIF - [MFMA 125 (1)(b)]

Current year payroll deductions and Council Contributions	2 479 610	2 148 746
Amount paid - current year	(2 479 610)	(2 148 746)
Balance unpaid (included in creditors)	-	-

38,05 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]

Current year payroll deductions and Council Contributions	3 419 186	3 507 132
Amount paid - current year	(3 419 186)	(3 507 132)
L.A. Health	(424 068)	(359 574)
Munimed	-	-
Cape Pension Fund	(451 106)	(846 691)
Hosmed	(618 564)	(634 122)
Cape Joint Retirement Fund	(1 529 353)	(1 249 726)
SAMWU Provident Fund	(396 095)	(417 019)

Balance unpaid (included in creditors)

38,06 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

The following Councillors had arrear accounts for more than 90 days as at 30 June 2015:

	2015 R Outstanding more than 90 days	2014 R Outstanding more than 90 days
None	-	-
Total Councillor Arrear Consumer Accounts	-	-

38,07 Quotations awarded - Section 47 - Supply Chain Management

Mr C van der Merwe - Chief Operations Manager's Wife - Brother-in-law	262 260	785 861
	262 260	785 861

38,08 Deviations - Section 36(2) - Supply Chain Management

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Sole provider	-	-	-	-
Emergency cases	20 785	302 210	-	-
Availability	156 180	57 714	412 240	-
Limited Quotations	208 696	267 935	601 733	-
Advertising Period	-	-	-	-
Not Highest Bid	1 756	-	-	-
Not Three Quotations received (Advertisement)	127 065	510 820	2 138 156	-
Quotations received from same service provider	5 849	-	-	-
Not cheapest quotation excepted	41 761	-	-	-
Appointment without tender	-	-	-	3 085 590
Head finance approves purchase	129 395	-	-	-
Municipal Manager amend tender committee decision	-	105 600	-	-
Service provider	208 050	612 521	-	-
	697 537	1 856 800	3 152 129	3 085 590

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

39	CAPITAL COMMITMENTS	2015 R	2014 R
	Commitments in respect of capital expenditure:		
	Approved and contracted for:		
	Infrastructure	7 061 228	4 075 401
		7 061 228	4 075 401
	Total	7 061 228	4 075 401
		2015 R	2014 R
	This expenditure will be financed from:		
	Government Grants	7 061 228	4 075 401
		7 061 228	4 075 401
40	FINANCIAL RISK MANAGEMENT	2015 R	2014 R

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follows:

0,5% Increase in interest rates	111 882	113 060
0,5% Decrease in interest rates	(111 882)	(113 060)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 16 and 17 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

40

FINANCIAL RISK MANAGEMENT (CONTINUE)

Balances past due not impaired:

	2015 %	2015 R	2014 %	2014 R
<u>Non-Exchange Receivables</u>				
Rates	0,00%	-	0,00%	-
<u>Exchange Receivables</u>				
Electricity	0,00%	-	0,00%	-
Water	0,00%	-	0,00%	-
Refuse	0,00%	-	0,00%	-
Sewerage	0,00%	-	0,00%	-
Other	0,00%	-	0,00%	-
	0,00%	0	0,00%	0

No receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 16 & 17 of the financial statements is an approximation of its fair value. Interest on overdue balances (rates) are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2015 %	2015 R	2014 %	2014 R
<u>Non-Exchange Receivables</u>				
Rates	100,00%	1 861 766	100,00%	2 377 039
<u>Exchange Receivables</u>				
Electricity	7,78%	67 377	12,94%	106 443
Water	23,71%	205 347	17,81%	146 503
Refuse	5,80%	50 243	20,10%	165 311
Sewerage	24,76%	214 480	19,85%	163 303
Other	37,95%	328 735	29,29%	240 947
	100,00%	866 192	100%	822 506

The provision for bad debts could be allocated between the different categories of debtors as follows:

	2015 %	2015 R	2014 %	2014 R
Government	0,00%	-	0,00%	-
Industrial	18,09%	493 400	13,71%	438 685
Residential	81,91%	2 234 525	86,29%	2 760 661
Indigents	0,00%	-	0,00%	-
	100,00%	2 727 925	100%	3 199 546

Bad debts written off per debtor class:

	2015 %	2015 R	2014 %	2014 R
<u>Non-Exchange Receivables</u>				
Rates	100,00%	128 067	0,00%	-
<u>Exchange Receivables</u>				
Services	100,00%	343 553	100,00%	715 125
Other	0,00%	-	0,00%	-
	100,00%	343 553	100,00%	715 125

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows:

	2015 R	2014 R
Long term receivables	48 034	54 835
Trade receivables and other receivables	2 460 853	1 972 072
Cash and Cash Equivalents	22 376 445	22 612 006
	24 885 332	24 638 913

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

40

FINANCIAL RISK MANAGEMENT (CONTINUE)

2015
R

2014
R

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2015				
Provisions - Landfill Sites	-	-	-	36 120 825
Capital repayments	-	-	-	2 304 556
Interest	-	-	-	33 816 267
Trade and Other Payables	928 922	-	-	-
Consumer Deposits	308 159	-	-	-
Unspent conditional government grants and receipts	1 904 727	-	-	-
	<u>3 141 809</u>	<u>-</u>	<u>-</u>	<u>36 120 825</u>
2014				
Provisions - Landfill Sites	-	-	-	41 823 842
Capital repayments	-	-	-	2 783 484
Interest	-	-	-	39 060 358
Trade and Other Payables	731 677	-	-	-
Consumer Deposits	282 769	-	-	-
Unspent conditional government grants and receipts	2 420 906	-	-	-
	<u>3 445 352</u>	<u>-</u>	<u>-</u>	<u>41 823 842</u>

41

FINANCIAL INSTRUMENTS

2015
R

2014
R

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

41,1	Financial Assets	Classification		
	Long-term Receivables			
	Staff Loans	Financial instruments at amortised cost	49 984	58 712
	Consumer Debtors			
	Trade receivables from exchange transactions	Financial instruments at amortised cost	1 954 525	1 887 809
	Other receivables from exchange transactions	Financial instruments at amortised cost	1 741 695	1 350 470
	Current Portion of Long-term Receivables			
	Staff Loans	Financial instruments at amortised cost	6 727	9 796
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	22 125 577	22 444 086
	Bank Balances and Cash			
	Bank Balances	Financial instruments at amortised cost	250 869	167 919
			<u>26 131 377</u>	<u>25 718 792</u>
	SUMMARY OF FINANCIAL ASSETS			
	Financial instruments at amortised cost		<u>26 131 377</u>	<u>25 718 792</u>

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

			2015 R	2014 R
41	FINANCIAL INSTRUMENTS (CONTINUE)			
41,2	<u>Financial Liability</u>	<u>Classification</u>		
	Payables from exchange transactions			
	Trade creditors	Financial instruments at amortised cost	738 360	662 334
	Payments received in advance	Financial instruments at amortised cost	189 306	68 117
	Unspent Conditional Grants and Receipts			
	Other Spheres of Government	Financial instruments at amortised cost	1 904 727	2 420 906
			<u>2 832 423</u>	<u>3 151 357</u>
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		<u>2 832 423</u>	<u>3 151 357</u>
42	EVENTS AFTER THE REPORTING DATE			
	The municipality has no events after reporting date during the financial year ended 30 June 2015			
43	IN-KIND DONATIONS AND ASSISTANCE			
	The municipality did not receive any in-kind donations or assistance during the year under review.			
44	PRIVATE PUBLIC PARTNERSHIPS			
	Council has not entered into any private public partnerships during the financial year.			
45	CONTINGENT ASSET/LIABILITIES			
	None			
46	RELATED PARTIES			
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.			
46,1	Related Party Transactions			
		Rates - Levied 1 July 2014 - 30 June 2015	Service Charges - Levied 1 July 2014 - 30 June 2015	Other - Levied 1 July 2014 - 30 June 2015
	Year ended 30 June 2015			Outstanding Balances 30 June 2015
	Councillors	10 428	23 938	-
	Municipal Manager and Section 56 Employees	14 398	29 635	-
	The rates, service charges and other charges are in accordance with approved tariffs. No impairment expenses have been recognised in respect of amounts owed by related parties.			
46,2	Related Party Loans			
	Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 15 to the Annual Financial Statements.			
46,3	Compensation of key management personnel			
	The compensation of key management personnel is set out in note 25 to the Annual Financial Statements.			
46,4	Other related party transactions			
	The following purchases were made during the year where Councillors or Management have an interest:	2015 R	2014 R	
	<u>Councillor/Staff Member</u>			
	Mr C van der Merwe - Chief Operations Manager Wife's - Brother-in-law	<u>262 260</u>	<u>785 861</u>	
		<u>262 260</u>	<u>785 861</u>	

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

47 FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The current ratio increased to 4,92:1 from 4,82:1 in the prior year.

The municipality have budgeted for a surplus of R18 047 999 for the 2014/2015 financial year. The municipality is also budgeting for positive surplus during 2015/2016 and 2016/2017 amounting to R25 763 999 and R4 900 999 respectively.

The average debtors' payment days decreased to 89 days from 90 days.

Other Indicators

No outflow of resources due the contingent liability disclosed in note 45

48 STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

Receivables from non-exchange transactions

Property Rates	1 870 564	2 377 039
Total Statutory Receivables	1 870 564	2 377 039

APPENDIX A - Unaudited
KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015
MUNICIPAL VOTES CLASSIFICATION

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R		2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
11 695	(162 690)	(150 995)	Cemetery	10 450	(193 067)	(182 617)
1 650	(934 194)	(932 545)	Library	2 920	(837 061)	(834 142)
-	(30 870)	(30 870)	Museum	-	(33 132)	(33 132)
-	(2 276 118)	(2 276 118)	Corporate Services	-	(1 841 246)	(1 841 246)
7 936 896	(138 892)	7 798 004	Electricity Administration	7 617 994	(184 977)	7 433 017
-	(8 479 892)	(8 479 892)	Electricity Generation	-	(9 144 494)	(9 144 494)
-	(406 498)	(406 498)	Electricity Distribution	-	(491 258)	(491 258)
22 005 444	(18 234 467)	3 770 977	General Expenditure of Council	25 693 534	(18 558 951)	7 134 583
2 250	(1 245)	1 005	Official Housing	5 500	(1 245)	4 255
7 861 939	-	7 861 939	Property Rates	9 685 401	-	9 685 401
455 327	(70 257)	385 070	Commonage	343 641	(83 575)	260 065
25 864	(204 983)	(179 119)	Municipal Buildings	24 694	(238 940)	(214 246)
1 639 579	(8 169 205)	(6 529 627)	Municipal Manager/Treasurer	2 656 761	(8 757 320)	(6 100 559)
-	(3 331)	(3 331)	Health Service	-	-	-
-	(30 110)	(30 110)	Nursing Service	-	(30 356)	(30 356)
-	(37 420)	(37 420)	Air Port	-	(52 309)	(52 309)
-	(33)	(33)	Abattoir	-	(33)	(33)
-	(21 835)	(21 835)	Fire Department	-	(17 369)	(17 369)
-	(3 672)	(3 672)	Civil Protection	-	(4 099)	(4 099)
675	(51 160)	(50 485)	Pound	620	(35 111)	(34 491)
316	(1 988 446)	(1 988 130)	Public Works	650	(2 294 959)	(2 294 309)
-	(905 609)	(905 609)	Streets & Pavements	-	(1 015 743)	(1 015 743)
3 650	(144 402)	(140 752)	Licensing & Traffic	5 400	(187 405)	(182 005)
56 250	(202 637)	(146 387)	Nature Reserve	46 600	(225 627)	(179 027)
-	(402 636)	(402 636)	Parks & Open areas	-	(411 961)	(411 961)
15 644	(98 697)	(83 053)	Swimming Pool	-	(50 525)	(50 525)
2 980	(11 858)	(8 878)	Caravan Park	8 723	(15 388)	(6 665)
3 120 713	(2 605 903)	514 810	Refuse	3 416 709	(2 947 658)	469 050
2 722 357	(2 825 945)	(103 588)	Sewerage & Cleansing	3 288 367	(3 190 741)	97 626
-	(362 054)	(362 054)	Water Distribution	-	(248 574)	(248 574)
4 198 771	(731 909)	3 466 862	Water Provision	4 319 052	(982 572)	3 336 479
50 061 999	(49 536 967)	525 032	Sub Total	57 127 015	(52 075 697)	5 051 318
-	2 322 671	2 322 671	Less Inter-Departmental Charges	-	2 739 340	2 739 340
50 061 999	(47 214 296)	2 847 704	Total	57 127 015	(49 336 356)	7 790 659

**APPENDIX B - Unaudited
KAREEBERG LOCAL MUNICIPALITY**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R		2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
22 005 444	(18 234 467)	3 770 977	Executive & Council	25 693 534	(18 558 951)	7 134 583
9 984 959	(8 483 143)	1 501 816	Budget & Treasury	12 715 997	(9 133 422)	3 582 575
-	(2 276 118)	(2 276 118)	Corporate Services	-	(1 841 246)	(1 841 246)
-	(33 441)	(33 441)	Health	-	(30 356)	(30 356)
13 345	(1 127 755)	(1 114 410)	Community & Social Services	13 370	(1 063 260)	(1 049 890)
675	(76 666)	(75 991)	Public Safety	620	(56 578)	(55 958)
74 874	(715 828)	(640 954)	Sport & Recreation	55 323	(703 500)	(648 177)
3 120 713	(2 605 903)	514 810	Waste Management	3 416 709	(2 947 658)	469 050
2 722 357	(2 825 945)	(103 588)	Waste Water Management	3 288 367	(3 190 741)	97 626
3 966	(3 038 457)	(3 034 491)	Road Transport	6 050	(3 498 107)	(3 492 057)
4 198 771	(1 093 962)	3 104 808	Water	4 319 052	(1 231 147)	3 087 905
7 936 896	(9 025 282)	(1 088 386)	Electricity	7 617 994	(9 820 729)	(2 202 735)
50 061 999	(49 536 967)	525 032	Sub Total	57 127 015	(52 075 697)	5 051 318
-	2 322 671	2 322 671	Less Inter-Departmental Charges	-	2 739 340	2 739 340
50 061 999	(47 214 296)	2 847 704	Total	57 127 015	(49 336 356)	7 790 659

APPENDIX C - Unaudited
KAREEBERG LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2014	Interest on Investments	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2015
	R	R	R	R	R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS						
Job Creation De Built	36 695	1 763	-	-	-	38 458
Land Development	57 698	2 686	-	-	-	60 384
Civil Defence	18 381	604	-	-	-	18 986
CMIP Kwaggakolk (VAT)	111 429	1 766	-	112 586	-	609
Municipal Systems Improvement Grant	-	-	934 000	934 000	-	-
Sanitation - sewerage	1 258 137	-	-	123 091	-	1 135 046
Electricity	33 082	1 564	-	-	-	34 647
Water Service Plan	3 093	147	-	-	-	3 239
CMIP - Saaiport project 301	3 395	161	-	-	-	3 556
Library Development Projects	-	-	855 000	715 207	139 793	-
Paving Projects	22 365	1 057	-	-	-	23 421
Lotto Camarvon	1 718	81	-	-	-	1 799
Lotto Vosburg	30 291	1 432	-	-	-	31 723
Municipal Finance Management Grant	-	-	1 800 000	1 800 000	-	-
Transfer Fees Sub-Economic	127 024	6 332	-	-	-	133 356
Cleaning Project Vosburg	24 181	1 143	-	-	-	25 324
VAT - Retention	11 221	530	-	-	-	11 752
Municipal Infrastructure Grant	-	-	7 848 000	905 376	6 942 624	-
Youth Development	93 632	-	-	-	-	93 632
Department of Water Affairs and Forestry	-	-	3 085 590	378 802	2 706 788	-
Expanded Public Works Program (PWPG)	-	-	1 000 000	1 000 000	-	-
Expanded Public Works Program (EPWP Incentive)	588 562	-	-	62 796	236 970	288 797
Total	2 420 906	19 265	15 522 590	6 031 858	10 026 175	1 904 727